

**FACTORS AFFECTING DISTRIBUTION OF CONSUMER GOODS IN THE  
AGRO-PROCESSING INDUSTRY. A CASE STUDY OF THE NEW KENYA  
CO-OPERATIVE CREAMERIES**

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## **DECLARATION**

This Research Study is my original work and has not been presented for a degree in any other university.

Signed\_\_\_\_\_ Date\_\_\_\_\_

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This Research Study has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

I dedicate this work to my entire family, friends, lecturers and all those who participated in one way or another to see me through.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	ii
<b>ACKNOWLEDGEMENT</b> .....	ii
<b>DEDICATION</b> .....	iv
<b>LIST OF TABLES</b> .....	vii
<b>LIST OF FIGURES</b> .....	viii
1.1 Introduction.....	1
1.2 Background of the Study .....	1
1.2.1 The Profile of the New KCC .....	3
1.3 Statement of the Problem.....	5
1.5 Research questions.....	7
1.6 Significance of the study.....	7
1.7 Limitations of the study .....	8
1.8 Scope of the study .....	9
<b>CHAPTER TWO</b> .....	10
<b>LITERATURE REVIEW</b> .....	10
2.1 Introduction.....	10
2.2 Review of Theoretical Literature .....	10
2.2.1 Resource based theory .....	10
2.2.2 Constraints theory .....	11
2.3 Empirical Literature Review .....	15
2.3.1 Competition and distribution of goods .....	15
2.3.2. Lead time and distribution of goods .....	18
2.3.3 Technology and distribution of goods .....	22
2.3.4 Transport mode and distribution of goods .....	24
2.4 Review of critical analytical literature .....	29
2.5 Summary .....	34
2.5.1 Lead time .....	34
2.5.2 Competition.....	35
2.5.3. Technology .....	35
2.5.4 Transport .....	36

2.6 Conceptual Framework.....	36
<b>CHAPTER THREE.....</b>	<b>40</b>
<b>RESEARCH DESIGN AND METHODOLOGY .....</b>	<b>40</b>
3.1 Introduction.....	40
3.2 The Research Design .....	40
3.3 Target population. ....	40
3.4 Sampling Design.....	41
3.5 Data collection Methods and instruments.....	42
3.5.1 Reliability and Validity of the instruments .....	42
3.6 Data analysis .....	43
<b>CHAPTER FOUR.....</b>	<b>44</b>
<b>DATA ANALYSIS AND PRESENTATION.....</b>	<b>44</b>
4.1 Introduction.....	44
4.2 Presentation of Findings .....	44
4.2.1 Response Rate.....	44
4.2.2 : Response on Age of respondents .....	46
4.2.3: Response on Level of Education .....	48
4.2.4: Analysis according to the respondents working experience .....	49
4.3 Lead time .....	51
4.5 Effects of technology on distribution of consumer goods in New K.C.C .....	55
4.6 Mode of Transport .....	57
<b>CHAPTER FIVE .....</b>	<b>60</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>60</b>
5.1 Introduction.....	60
5.2 Summary of findings.....	60
5.2.1 Competition.....	60
5.2.2 Lead Time .....	61
5.2.3 Technology .....	61
5.2.4 Mode of Transport .....	62
5.3 Conclusion .....	62
5.4 Recommendations.....	63
<b>REFERENCES.....</b>	<b>65</b>
<b>APPENDIX I: Questionnaires .....</b>	<b>70</b>

## LIST OF TABLES

<b>Table 3.2</b> Sample size.....	41
<b>Table 4.1:</b> Response Rate.....	44
<b>Table 4.2:</b> Gender of Respondents .....	45
<b>Table 4.3:</b> Age of Respondents .....	46
<b>Table 4.4:</b> Level of Education.....	48
<b>Table 4.5:</b> Working experience .....	49
<b>Table 4.6:</b> Table effects of lead-time on the distribution of consumer goods in New KCC.....	51
<b>Table 4.6:</b> Effects of Lead-time .....	51
<b>Table 4.7:</b> Extent of lead-time on distribution of consumer goods.....	52
<b>Table 4.8:</b> Effects of competition on distribution of consumer goods in New K.C.C	53
<b>Table 4.9:</b> Extent of competition on distribution of consumer goods.....	54
<b>Table 4.10:</b> Effect of technology on distribution .....	55
<b>Table 4.11:</b> Effect of technology on distribution of consumer products .....	56
<b>Table 4.12</b> Effect of mode of transport on distribution.....	57
<b>Table 4.13:</b> Extent to which mode of transport affected distribution of consumer goods .....	58

## LIST OF FIGURES

<b>Figure 2.1</b> Conceptual Framework.....	37
<b>Figure 4.1</b> Response Rate.....	44
<b>Figure 4.2</b> showing the gender of respondents .....	45
<b>Figure 4.3</b> showing the age of respondents.....	47
<b>Figure 4.4</b> showing the Highest Level of Education of the Respondents .....	48
<b>Figure 4.5</b> showing the working experience of the respondents.....	50
<b>Figure 4.8</b> Effects of Lead-time on distribution.....	51
<b>Figure 4.7</b> Extent of lead-time on distribution of consumer goods .....	52
<b>Figure 4.8</b> Effect of competition on distribution of consumer goods .....	53
<b>Figure 4.9</b> Extent of competition on distribution of consumer goods. ....	54
<b>Figure 4.10</b> Effect of technology on distribution.....	55
<b>Figure 4.11</b> Effect of technology on distribution of consumer products .....	56
<b>Figure 4.12</b> Mode of transport and distribution of consumer goods.....	57
<b>Figure 4.13</b> Extent of mode of transport on distribution of consumer goods .....	58



## **LIST OF ABBREVIATION AND ACRONYMS**

<b>BPR</b>	-	Business Process Reform
<b>CPFR</b>	-	Collaborative Planning, Forecasting, and Replenishment
<b>CPG</b>	-	Consumer Packaging
<b>EDI</b>	-	Electronic Data Exchange
<b>FMCG</b>	-	Fast Moving Consumer Goods
<b>GDP</b>	-	Gross Domestic Product
<b>JTT</b>	-	Just-In-Time
<b>KCC</b>	-	Kenya Cooperative Creameries
<b>ROI</b>	-	Return on investment
<b>VMI</b>	-	Vendor Managed Inventory

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter consists of the background of the study, statement of the problem, objectives of the study, research questions and significance of the study, limitations and scope of the study.

#### **1.2 Background of the Study**

A system outlet is the development of merchandise and ventures from the source through a circulation channel, straight up to the last client, customer, or client, and the development of installment the other way, up to the original producer or supplier (Mulky, 2013). The Fast-Moving Consumer Goods (FMCG) industry is a quick, agile industry with a wide range of products (El-Tawy & Gallear, 2012). Such a huge industry is easily recognized by its customers, and its supply chains are seen as a role model for other industries. FMCG industry supply chains generate innovative ideas and act as benchmarked frameworks for other industries, because of their high volumes of product flows, close interaction with their customers, less complex manufacturing processes and the dominance of retailers (to some extent). Some of their ideas such as point-of-sale solutions, transport milk runs and subcontracted manufacturing have been adopted by other industries (Bala & Kumar, 2011).

Kenya's agriculture sector contributes about 25% GDP which places the country's economy as agricultural based (Njehia & Wanjala, 2014). The estimates estimate in milk is far and away Kenya's most economically important livestock product, with a value of 257.811 billion Ksh. in 2009, or about 70% of the total gross value of

livestock's contribution to the agricultural sector. Officially recorded milk production was only about one twentieth of total re-estimated milk production in 2009 (Behnke & Mulheim, 2011). The dairy sector plays an important role in food security, creating employment, generating income, and enhancing the livelihoods of dairy farmers, traders, processors and all participants in the entire milk supply chain (Kinambuga, 2010). For slightly over five years now, New KCC has been at the heart of the country's dairy sector vibrancy. New KCC has contributed immensely to improving the fortunes of dairy farmers over this period (Kenya Dairy Board 2010).

Marketing channels develop and operate in compound setting that is frequently changing. The changes have major impact on the marketing channels. According to Liutu, (2010) every channel is affected by macro environmental forces or variables such as consumer buying behavior, economic, political and legal factors, technological changes, international macro influences and channel member preferences. Due to the dynamics nature of the factors, companies must frequently assess and monitor the performance of their distribution channels. For better results, the evaluation and monitoring has to be done regularly.

The essential challenge confronting channel managers in the face of these economic developments is to help channel managers weather difficult economic conditions. The competitive environment must include not only domestic but also global competition as well (Rosenbloom, 2012). The socio cultural environment has a significant impact on marketing channels because the structure of marketing channels reflects the socio cultural environment within which they exist. The technological environment must be monitored carefully to evaluate the effects of technological changes on marketing

channels. Such developments as the internet, computerized inventory management, computer shopping etc. have had, and will continue to have, profound effects on marketing channel strategy. Also channel managers cannot ignore the political-legal environment, with its complex laws and continually changing precedents. Distribution strategy and its performance can also be shaped by how decisions are made in other marketing areas such as the product, price and promotion elements. The idea behind the channel in the distribution area is that a channel concept highlights the efficiency and effectiveness aspects of distributing goods and services (Mulky, 2013). Existence of many Milk Production distributors from different companies and local vendors creates an intense competition in the market and this makes it difficult for most of the companies including the New KCC to network a large volume of products in the target market. Application of ineffective pricing strategies also leads to increased cost of FMCG products in the market and this hinders FMCG companies to network their products to all customers in different market segments. In this light, the study seeks to establish Factors Affecting Distribution of Consumer Goods in the Agro-Processing Industry.

### **1.2.1 The Profile of the New KCC**

Kenya Cooperative Creameries (KCC) was started informally by White settler farmers and incorporated in 1932 under the Cooperative Societies Ordinance. KCC's objective was to enable farmers to have a viable marketing system for their milk and dairy products. White farmers imported grade cattle to boost production.

KCC Was also registered under the Companies Act and retained the dual registration after Kenya became independent in 1963. It established factories and depots in many

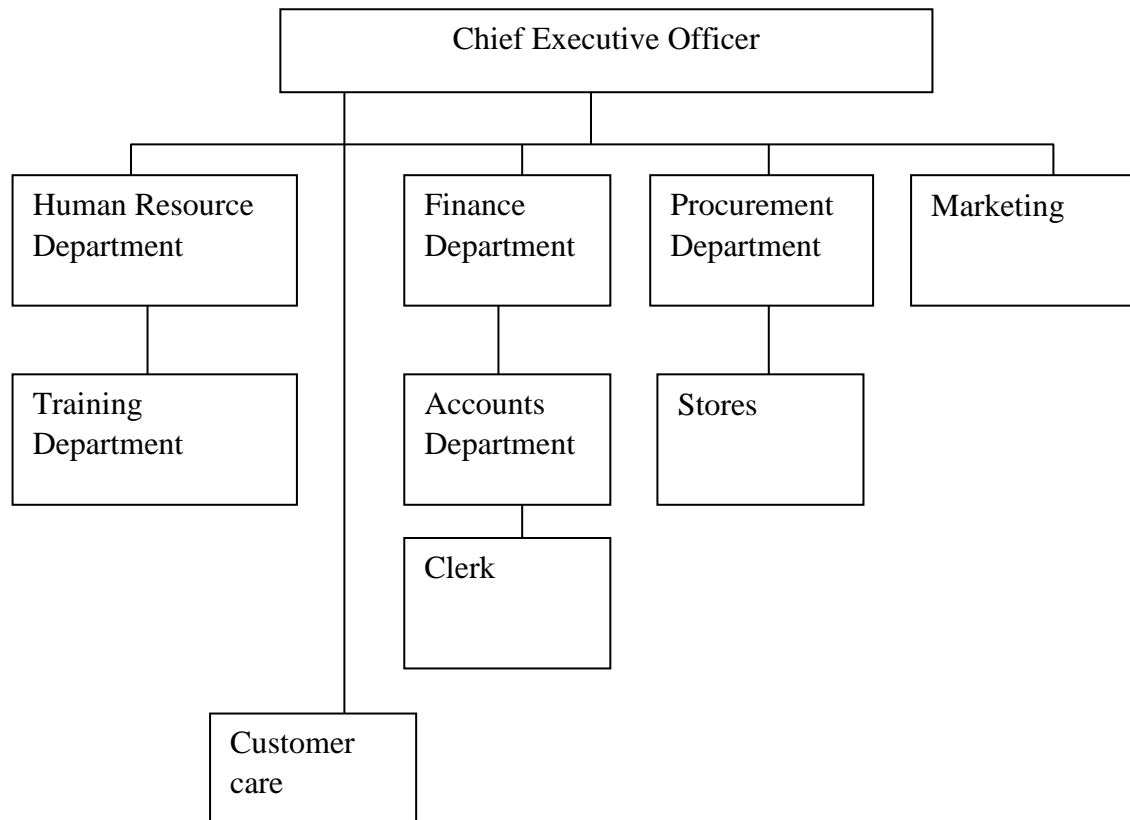
parts of the country to distribute products and later to accommodate the African farmers and dairy cooperative societies. The wide range of processed products of fresh liquid milk, powder milk, butter, cream, ghee, cheese and yogurt needed elaborate selling and distribution networks in the local and export markets. KCC enjoyed a monopoly status and became a household name.

Trouble for KCC started with the advent of liberalization, which allowed entry of other actors into the dairy industry. The competition and low prices of dairy products worsened KCCs performance, particularly in the late 1980s and early 1990s.

Like KFA, KCC was sold to private investors' 2000 after it failed to pay Kshs220 million owed to its employees and a bank loan of Kshs400 million. It was, thus, transformed into a private company. A number of dairy cooperative societies and unions, for example, in Bungoma, Kiambu and Meru, alongside privately owned firms, including Brookside, Delamere and Spinknit, started dairy processing plants and have since entrenched themselves in the market.

The NARC Government reacquired KCC from the private entrepreneurs and renamed it New KCC to operate under the State Corporations Act. The New KCC has impressively reasserted itself in a bid to restore its previous premier position despite stiff competition.

Figure 1.1: **Organizational Structure of the New Kenya Cooperative Creameries Ltd.**



Source: **New Kenya Co-operative Creameries Ltd (2018)**

### **1.3 Statement of the Problem**

Businesses have recognized that ensuring channel effectiveness can be a complex and time consuming undertaking. Retail Managers and other distributors are constantly managing daily challenges such as inventory shortages, supplier related issues, and staff

training; all of which detract from their ability to focus on long-term business objectives such as planning and growth. Outlet network of the New KCC products is

major challenge that affects realization of increased sales revenue. Although the company generates a large volume of sales and money, it is always under pressure because they keep facing a lot of competition from their fellow competitors like Brookside, Molo milk, Daima etc. Due to this, the New KCC tries to do their level best in maintaining a fine balance in their profits and the product price. As explained by Armstrong, FMCG Companies keep facing new challenges on their margins month after month (Armstrong, 2007). One of the key factors for an FMCG company to do well is a proper outlet network. If the network of a particular FMCG company is well oiled, then that FMCG Company will definitely find the going much easier in the market. But companies have to allot a large chunk of their finances in developing and fine tuning their outlet networks (Kowalczyk, 2007). Although there has been successful distribution of consumer goods products in the county, it has not come without challenges neither has it been a smooth ride for these companies. It is in this regard that the researcher wishes to evaluate the factors affecting distribution of consumer goods in the Agro-processing industry.

#### **1.4 Objectives of the Study**

##### **1.4.1 General Objective**

The main objective of the study will be to evaluate the factors affecting distribution of consumer goods in the Agro-processing industry.

##### **1.4.2 Specific objectives**

The specific objectives of the study were;

- i. To determine the effects of lead-time on the distribution of consumer goods in New K.C.C.
- ii. To find out the effects of competition on distribution of consumer goods in New K.C.C.

- iii. To establish the effects of technology on distribution of consumer goods in New K.C.C.
- iv. To assess how mode of transport affect distribution of consumer goods in New K.C.C.

### **1.5 Research questions**

The study was guided by the following research questions;

- i. What are the effects of lead-time on distribution of consumer goods in New K.C.C?
- ii. What is the effects of competition on distribution of consumer goods in New K.C.C?
- iii. What is the of effects technology in distribution of consumer goods in New K.C.C?
- iv. How does the mode of transport affect distribution of consumer goods in New K.C.C?

### **1.6 Significance of the study**

This study will be of importance to the following parties;

#### **1.6.1 The Company (New KCC)**

Information on distribution will inform the management of New KCC and other companies to fully exploit their competitive advantage by developing appropriate distribution strategies that will optimize operations whilst ensuring best environmental practices are maintained. It will increase organizational flexibility in terms of meeting consumer requirements in the best and most affordable manner. The



findings are also intended to identify areas where corrective action will be necessary. The study will help the company to improve the quality of its services and enhance more growth of the company's distribution.

### **1.6.2 Consumer Goods Companies in Kenya**

The research findings may be beneficial to other consumer goods companies in Kenya to tap from the findings on the pros and cons of growth in their companies.

### **1.6.3 Other Scholars**

This study will benefit scholars by providing background material for future research in other sectors or industries, highlighting current trends on distribution practices. They will use the findings for reference purposes in future related studies.

## **1.7 Limitations of the study**

### **1.7.1 Suspicion**

The staff and management of New KCC may think that researcher is spying the activities of their organization not knowing that the main purpose of collecting the data will be for academic point of view.

### **1.7.2 Confidentiality**

The respondents were reluctant to offer the information being sought by the researcher, by claiming that the information is confidential and should not be given to outsiders. The researcher overcame this limitation by assuring the respondents that the information they give will be kept confidential and will not be disclosed to other

parties. The researcher also requested for permission to carry out the research from the management of the New KCC Ltd.

### **1.7.3 Fear of Victimization**

There were also fears by the respondents of being reprimanded by the management if they took part in the study. This was overcome by assuring the respondents that the management of New KCC Ltd. had allowed the study to be conducted in their premises.

### **1.8 Scope of the study**

This research sought to determine the factors enhancing distribution in consumer goods companies in Kenya. The study was based in the New KCC Nairobi area situated in Industrial Area. The study covered a period of 6 months from March 2018 to August 2018 focusing on a target population of 150 employees within the New KCC.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains; main review, critical review, conceptual frame work and summary. The literature is reviewed based on theoretical literature, empirical review of the literature and conceptual framework.

#### **2.2 Review of Theoretical Literature**

##### **2.2.1 Resource based theory**

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Peteraf and Barney, 2003). First, this model assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms. Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. Foss (1998) states that the resource-based perspective does not escape the general problem of finding the appropriate unit of analysis. Most contributions within the RBV take the individual resource as the relevant unit of analysis to study competitive advantage. However, Foss (1998) points out that this choice may only be legitimated if the relevant resources are sufficiently well-defined and free-standing. If, in contrast, there are strong relations of complementarity and co-specialization among resources, it is the way resources are clustered and how they interplay and fit into the system that is important to the understanding of competitive advantage. Foss (1998)

recognizes that the concepts ‘capabilities’ and ‘competences’ aim perhaps at grabbing this clustering and interplay. The conceptual framework takes this problem into account by relating competitive advantage to strategy rather than to individual resources.

### **2.2.2 Constraints theory**

Theory of Constraints (TOC) is widely known as a management philosophy discovered by Goldratt (1990) this theory is based on the idea, that every company must have at least one constraint. Goldratt and Cox (1992) define a constraint as any element or factor that limits the system from doing more of what it was designed to accomplish, i.e. achieving its goal – to make money now and also in the future. TOC is method how to identify the limitation and how to solve it. Cox and Spencer (1998) define three separate areas of TOC method logistics, performance measurement and logical thinking. The TOC method in logistics includes the drum-buffer-rope scheduling method, buffer management and the VAT analysis. Rahman (1998) reviews the TOC application in manufacturing companies. Cox and Spencer (1998) deal with managing the supply chain, Umble et al. (2001) described how a manufacturing firm applied the TOC method to direct the implementation of enterprise resource planning (ERP).

Application of TOC approach can optimize also logistics cost along supply chain (Gupta, 1997). Specific problems of distribution in supply chain are less discussed in literature. Stein, (1997) deals with model of locating the time buffer at different positions of participating members to protect actual sales from demand and supply uncertainty. The TOC solutions in supply chain are discussed (Goldratt et al., 2000).

The purpose of the study is to investigate previous studies that highlighted the factors affecting distribution of consumer goods in the Agro-processing industry in Kenya. Show the strength and weakness of previous research done in this area and the gaps of the surveys. It is also crucial to assess the importance of growth and expansion of any profit-making company. Distribution is a method of bringing a product to the consumer (Keller, 2008). These channels are part of a company's marketing mix, unique combination of product, price, promotion and position of each company (Clow, 2007). The distribution affects the location or route that consumers can purchase and receive the product. Distribution of consumer goods can be done through on-site shop, a virtual store, a retailer, a wholesaler, an agent, a telemarketing seller or a direct mail. Distribution of consumer goods is one of the four elements of the marketing mix. Distribution of consumer goods is the process to make a product or service available for use or consumption by a consumer or business user, either directly or indirectly through intermediaries. The other three parts of the market mix are product, price and promotion (Bikram, 2013).

Product distribution are made via channels. Channels are sets of interdependent organizations called intermediaries involved in making the product available for consumption. Traders are intermediaries that buy and resell products. Agents and brokers are intermediaries that act on behalf of the manufacturer but do not take the title for the products (Aaker, 2009).

Distribution are also a very important part of supply chain logistics and management (Brady, 2007). Supply chain management in the business world. It can be the supplier's factory, supplier to retailer or retailer to end customer. It is defined as a chain of intermediaries; before the chain moves to the next organization before it reaches the consumer or the end user. This process is known as the "output network

chain" or "channel". Each of these elements in these chains will have their own specific needs that they must take into account with the important end users. Distribution includes the outbound logistics used by companies to distribute the product and / or the final service to customers. Distribution for national and regional distributions, definition of sales and sales responsibilities, outgoing logistics and warehouse management (Balmer, 2008).

The cost of the company's products in low-cost segments, where the majority of consumers have low purchasing power. The company has no precise methods for estimating the future needs of consumers. The company has experienced large stock outs over a long period of time. Recently, the Chinese market has become a part of the market. Business promotion strategies are able to increase awareness of the availability of company products in different market areas (Lee, 2009).

Cateora and Graham (2007) said that the distributions refer to the flow of goods and services from the producer to the consumer. An expiration distribution strategy aims to establish a dominant position in the geographic markets managed by the companies. Choosing an appropriate distribution strategy is a decisive determinant of an organization's successful sales and sales decisions that represent long-term commitments compared to other marketing decisions due to time, costs and interim relationships. Involved in access to an established channel. A distribution represents a complex, specialized, sophisticated and coordinated supply chain in industrialized countries and increasingly in many developing countries. The distribution sector includes commission agents, wholesalers and retailers who act as commercial intermediaries (Matteo, 2008).

The distribution strategy must be carefully integrated with all the components of the marketing program. Before a manufacturer formulates a distribution strategy, two decisions must be made. It is decided whether the company will sell directly to end users or will use intermediaries and choose the type of channel. Day (2008) states that distributions are developed through the use of national resources contained in a trading area. The need to move resources to other areas where they were required led to the need for distributions (Tang, 2007).

Fast-moving consumer goods (FMCG) or consumer packaging (CPG) are products sold quickly and at relatively low cost. Examples include non-durable such as soda, toiletries and groceries. Although the absolute surplus on consumer products is relatively small, they are generally sold in large quantities and can therefore be cumulative useful on such products (Eisenhardt, 2007),

A distribution is one of the four aspects of marketing. A distributor is an intermediary between the manufacturer and the consumer. Once a product has been manufactured, it can be stored or sent to the same level in the supply chain, typically a distributor, retailer or consumer. There can often be a chain of intermediaries; Each passes the product along the chain to the next organization before it finally reaches the consumer or end user. This process is known as the "output network chain" or "channel". Each of the elements of these chains will have their own specific needs that the manufacturer must take into account with the important end users (Kotler 2003).

Companies that operate in fast-moving consumer goods are often required to track huge quantities of products, using advanced IT and product identification systems is almost necessary to ensure proper use of the inventory. It is very important in this sector that companies manage their products correctly. Shrinking inventory can be a significant source of loss without proper management.

## **2.3 Empirical Literature Review**

### **2.3.1 Competition and distribution of goods**

Competitive advantage is defined as "something that the company does better than its competitors, which gives it an advantage in meeting customer needs and / or maintaining mutually satisfactory relationships with key stakeholders" (Ferrell, 2012, p .16). The nuclear competence was explained by Prahalad and Hamel (1990) as a collective learning within the organization with the aim of coordinating various killings and increasing the integration of multiple streams of technology.

Competition in the market is usually used to analyze competition standards and distribution effects, but sees competition as the selection process that pushes the least efficient from the most effective in line with the competition. There is empirical support for the active role of the elections in promoting competition and productivity. Glen, Lee and Singh (2001) show that competition in many developing countries has exceeded what is normally expected. The survey finds that the gains on selected growth markets are lower than those reported for developed economic markets.

The concept of basic competence is proposed by Prahalad and Hamel (1990) as collective learning in organizations aimed at coordinating various killings and



increasing the integration of multiple streams of technology. Prahalad and Hamel (1990) state that key competences can be identified by asking three questions:

Competition has been mentioned by consumer goods companies as a barrier to the distribution. The market in which a company operates has a decisive influence on its growth (Storey et al., 1987); It is also argued that low-growth companies seem to have the poorest understanding of their competitors. Therefore, the subjective companies on the side of the companies of the nature of the competition that they are experiencing can tell the researcher so much of their own understanding of their market as anything else. In this survey, the competition was raised five times in interviews, but there is no clear relationship with the competition that limits a slight and steady growth. Instead of the author's opinion, competition should be a driving force for small businesses to try to get better results than their rivals and thus promote growth.

According to William and Curtis (2008), basing key skills on product characteristics and capabilities may prove counterproductive in terms of adapting to changes in the external market environment. In other words, William and Curtis (2008) argue that basic competence could become a fundamental rigidity that imposes threats to the company's long-term growth prospects.

A study by Matteo (2008) revealed that the existence of many companies in the reference market leads to greater competition and this makes it difficult for a single company to effectively distribute its product in the competing market and increase its revenues. Lehtonen (2009) confirmed that the lack of distribution of the FMCG

product in various market segments by many consumer goods companies in Kenya can be attributed to an increase in the supply of cheap Chinese FMCG products on the market. Clow (2007) identified that the high level of competition in the FMCG market that influences the distribution of consumer products is influenced by the supply of goods imported from China, the existence of many FMCG suppliers, the loss of market for competitors and from the quality of competitor products. McCammon (2009) has established that price aspects influence the effective distribution of the FMCG company, the products include; high transport costs, increase in inventory management costs, many intermediaries in the distribution channel and lack of price adjustments.

Schendel, (2008) found that the effectiveness of corporate promotion campaigns in creating awareness of company products influences many FMCG customers of competing companies with more effective promotional campaigns. A study by Tang (2007) found that the supply of goods imported from China, the existence of many suppliers of consumer goods that reduce the market share to competitors and the quality of the products of competition affect the distribution of goods that evolve rapidly on local consumption.

Competition implies rivalry between companies competing to sell similar products in the same target market. Many corporate entities adopt various strategies to counter the threat of competition from commercial rivals (Porter, 2008). The existence of many FCMG distributors of different companies creates strong competition in the market and this makes it difficult for most FMCG companies to distribute a large volume of products in the reference market.

Identifying the competition is not easy. The competitiveness of a company is not very easy to measure because competition can affect performance in a number of ways and it is expected that changes in performance will affect the market structure. Although the degree of competition that faces is not directly causal to the behavior of a single company, the most competitive market environments may see a relatively faster substitution of relatively inefficient companies. In this case, there is a correlation over time between a measure of industrial competition and the average efficiency of the companies that survive. Competition is likely to directly affect behavior, but economic models show that the effect can be ambiguous. An example of ambiguity comes from the Willig (1987) model, where he demonstrates two effects of compensation for increased competition on incentives for executives to exert the effort. While increased competition makes profits more sensitive to management efforts, it also pushes the demand for the company's production, which mitigates profits, thus blocking the incentive.

### **2.3.2. Lead time and distribution of goods**

Lead time is indicated as the time between ordering and placement of the material and actual delivery (Beamon, 1999). Lead time plays a crucial role in strengthening consumer distribution. According to Silver (2013), the correct analysis of delivery times provides the industry with various benefits that include but cannot be limited to a better understanding of market behavior, allowing for more profitable schemes to better suit customer needs. To detect and correct any behavior that does not fall under the terms agreed in the contract by the different criminal or contractual arrangements

and create an area with the ability to improve customer relations by increasing the communication level with them (Beamon, 1999).

The influence of delivery times and transport is closely related to the consumption of consumer goods. Delivery performance and end customer satisfaction levels may decrease due to improper transport time management (Thomas, 1996). Delays can be due to many factors that are beyond the control of the outsourcing company. Examples are work conflicts, weather conditions and political unrest. As delivery time and variability increase, higher inventory levels and other expensive buffers are required, while the overall supply chain configuration is worsening (Thomas, 1996).

Lyer and Bergen (1997) have shown that short delivery times reduce the risk of under loading or overloading downstream parts. Depending on the relationship between under- and overstocking costs, he may decide to order less when delivery times are reduced and therefore the upstream part (if not adequately compensated) can make lower profits in shorter delivery times than in times longer delivery times. However, there may be another effect that comes into play when delivery times are reduced. Often, downstream parties have the opportunity to exert an expensive effort to increase demand (for example through promotional actions, advertising, etc.). (Lyer and Bergen, 1997). In low demand situations observed during the sales season, this effort can be used successfully to sell the remaining securities instead of saving them with a lower or no return. Therefore, the retailer can buy shares to "induce" to exert a great deal of effort. Zero-zero technology essentially eliminates the need to buy in advance (ie, the retailer can simply buy exactly what he needs when he needs it), reducing the dealer's incentive to exert efforts to sell, because he no longer needs to

worry about what he has already bought and can not sell (Lyer and Bergen, 1997). This effort effect can be strong enough to make long delivery times to the manufacturer desirable, even if the effect of the safety level has appeared in the opposite direction.

Harris and Jankin (1982) show that typical lead time problems are related to long-term reliability. From the buyer's point of view, the ideal situation has short and reliable delivery times. However, for the supplier, longer delivery times allow better planning flexibility and better capacity utilization. Production time is a key factor in consumer goods. It is the moment when the supplier requests to produce the items needed for an order. Generally, installation time, processing time, material handling time and cooling time are included in the production stages.

According to Thomas (1996), the interoperability period (non-processing time) generally accounts for most of the production time. In the production space environment, demand for raw materials and production times is eliminated from the time of purchase, as the producer produces goods in anticipation of future orders. Therefore, the order is met by the supplier's finished product statement and the purchase date of the purchase is shortened.

Zimmerman (1987) reports a detailed study of size decisions in a production environment in a workshop. The document reports that executives were severely punished as orders were delivered late, so stock reduction was an insignificant target and that the cost allocation system called on managers to build inventories.

Several articles have investigated the impact of the lead scale on performance. Banker et al. (1988) showed the relationship between production variability and delivery times. They showed that there is a growing non-linear relationship between inventory and production volume. Inventory costs increase due to overload. They also demonstrated that fixed cost increases are a non-linear volume function, so traditional accounting systems are not able to accurately estimate product costs when overload is important. Nandakumar, Datar and Akella (1989) have studied the effect of defects on the ability to meet delivery plans. The lack of production increases the overload and therefore the production results in time and variability of delivery times. Harrison, Holloway and Patell (1990) present a detailed case study of performance measurement at a semiconductor manufacturing workshop. Demonstrate that the manager's performance system is a weighting of costs, timely delivery, customer service and internal service measures. They conclude that the greater emphasis on delivery currently encourages managers to overestimate delivery times.

Similar behaviors are reported in Karmarkar (1990), explaining the reasons why managers have no incentive to reduce delivery times in MRP systems (material resource planning). MRP planning times with fixed delivery times. As long as there are no rewards to complete the job faster than the fixed standards of MRP, there are no incentives for managers to reduce delivery times. If a manager completes the work in advance, the system does not change the downstream devices in order to use the finished work. If a manager reduces delivery time and could initiate a job earlier than specified in MRP planning, it may not be necessary to list the necessary elements from upstream devices so that work cannot begin. The study of agency costs in production systems has been taken into account in some operational management

documents. Porteus and Whang (1991) are considered a two-stage decentralized system, where marketing and production leaders differ from companies due to management efforts. They issue optimal incentive plans for leaders who lead to the best possible solution. Our work takes into account the divergence of interests due to the effort required to reduce delivery times within a price-setting center.

### **2.3.3 Technology and distribution of goods**

Research classifies supply chain relationships into three levels – operational, tactical, and strategic (Shah et al. 2002). These three levels of relationships are largely characterized by the information sharing behaviors of the supply chain firms (Rai et al. 2006). The operational level supply chain relationships focus on exchanging transaction based information between partners using inter organizational information sharing technologies such as EDI or extended ERP, as well as transaction-cost reduction programs such as Vendor Managed Inventory (VMI). At the tactical level, information sharing does not occur only between single departments across firms, but involves multiple divisions or functional departments within a firm or across firms. Information sharing goes beyond transactional efficiency to achieve further productivity and profitability goals. Examples of SCM initiatives at the tactical level include Collaborative Planning, Forecasting, and Replenishment (CPFR), Continuous Replenishment (CRP), or sharing of Point-of-Sale (POS) demand information. The supply chain relationships at the strategic level involve gathering and sharing competitive intelligence and necessitate the decision support functionality of IT applications (Akkermans et al. 2003). Despite various focuses of information sharing,

the SC relationships can be highly collaborative or can involve one party dominating the information sharing processes with another party (Malhotra et al. 2005).

Walden associates defines a fuel management system as a technology-based tool that works with any pump-able liquid or gaseous fuel for attended or unattended fueling sites and that the system provides real-time visibility of all aspects of fuel management and fueling activities, using automation to free up drivers and capture information that's instantly available to any staff who may need it (Ndonye, 2014). Recent advances in fleet management allow for the addition of over-the-air (OTA) security and control of fleet vehicles. Fleet Security and Control includes security of the vehicle while stopped or not in operation and the ability to safely disable a vehicle while in operation. This allows the fleet manager to recover stolen or rogue vehicles while reducing the chance of lost or stolen cargo (Chapman, 2007). The additional of Fleet Security and Control to a fleet management system gives a fleet card manager preventative measures to address cargo damage and loss. There are five main fleet management activities; routing and scheduling, fuel management, vehicle acquisition, vehicle maintenance, driver briefing and debriefing. The most important thing in fleet management is cost management. The fleet manager has to ensure that his/her activities are cost effective. Fleet managers oversee delegation of duties to large groups of personnel responsible for operating the vehicles within the fleet. This may include coordinating the employee schedule, managing communication between the drivers and headquarters, planning driving routes or alternate routes as well as referring or solving problems that may crop up during the day such as accidents, absenteeism and automobile malfunctions (Ndonye, 2014).

Chuttur (2009) noted that fleet managers are responsible for ensuring that there are



sufficient automobiles within the fleet to maintain the day-to-day-operations. This requires purchasing new automobiles if needed due to an increase in the workload, or to replace automobiles that need serious repairs or that have been involved in accidents, or have mileages too high to be considered road worthy. A vehicle schedule is a sequence of pick up or delivery points. This includes arrival & departure times. The vehicle must traverse the points in the designated order & at specified times. This route planning is done in order to cut costs.

#### **2.3.4 Transport mode and distribution of goods**

Transport is an infrastructure that means roads, seaports, airports, railways and canals. All these exist along the nodes and links of the transport network. Transport and infrastructure focus on operational and policy issues within transport and infrastructure areas that influence logistics operations (Chopra & Meindle, 2007). The transport system is the most important economic activity among the components of the company logistics systems. Transport plays a connective role between the various steps that lead to the conversion of resources into useful goods in the name of the final consumer. It is the planning of all these functions and sub-functions in a movement system of goods in order to minimize the cost of maximizing the service to the customers that constitutes the concept of company logistics (Chang, 1998).

The role that transport plays in the logistics system is more complex than the transport of goods to owners. Its complexity can only take effect through high quality management. Thanks to a well-managed transport system, goods can be sent to the right place at the right time to meet customer demands. It brings effectiveness, and also builds a bridge between producers and consumers. Therefore, transport is the basis of efficiency and economy in company logistics and expands the other functions

of the logistics system. Furthermore, a good transport system in logistics activities benefits not only the quality of the service but also the company's competitiveness (Cooper et al., 1997).

According to Warman (1971), in the past, warehousing, which is the essential part of physical distribution, was often considered a "necessary evil". Not long ago Alexander (1969) described freight transport as "a sad calculation of fares and routes". Everything included in the physical distribution was considered unimportant for efficiency and profitability and often left without adequate and necessary investment. (Kapoor 2003) However, almost all the authors agreed that with the technological revolution, a company was able to produce in a place with production economies and sell the product to a customer in a market with a strong demand, regardless of distance. This, of course, requires an adequate order system, which could be built more easily and economically more efficiently than the organization for a more complete and faster transport of goods. Nevertheless, Satish K Kapoor defined technical progress as the main reason for increasing the physical distance between producers and consumers. Therefore, physical distribution is essential for any type of organization (Kapoor 2003).

Another essential change occurred in the role of manager in the distribution department. In many companies, they are on an equal footing with their counterparts in production, marketing and finance. There have been several significant changes in managerial and conceptual theories, which have led to different reforms in the organization's distribution structure. These reforms have radically changed the

balance between holding shares and the movement of goods, as well as, as a priority, in physical distribution functions (Mackinnon 1989).

According to MacKinnon (1989), several attempts have been made to identify the factors that triggered the revolution in physical distribution. This revolution could be seen in the context of long-term economic development (Mackinnon 1989). The Londe and Dawson (1969) were of the same opinion that physical distribution could be considered the key element of the marketing strategy. However, they complain that most companies were primarily concerned about the promotion and marketing of products, rather than their distribution. Continuing with this thought, that was the "frontier of cost reduction" (MacKinnon 1989).

Mackinnon (1989) added that distribution is also becoming a more significant and complete aspect of the business development strategy, as transportation, warehouse and storage costs have increased compared to the costs of other industrial inputs. On the other hand, producers had to respond to new structural changes in the wholesale and retail trade by modifying their distribution chain (MacKinnon 1989).

Ronald H. Ballou (1999) maintains transport as the single most important element in logistics costs for most companies. So the logist needs a good understanding of transport issues. Subsequently, Ballou describes the importance of effective transport as a system contributing to greater competition in the market, greater economies of scale in production and reduced prices for goods. (Ballou 1999).

David Bloomberg (2000) defines the transport system as the planning, implementation and control of transport services to achieve organizational goals and objectives. Where one of the traffic managers controlled the modes of transport, the integrated logistics manager now realizes that control. Therefore, the manager of integrated logistics must understand transport operations (Bloomberg, Lemay, Hanna 2002).

Claude Comtois (2006) defines freight transport as the process of transporting different types of goods from one point to another using a variety of transport modes. Freight transport can involve street solutions, routing alternatives (Slack, Rodrigue, Comtois 2006).

According to Ballou (1999) with an underdeveloped transport system, the market extension is limited to the areas immediately surrounding the production point. Unless production costs are low compared to those of the second production point, and it is likely that there will be much competition. However, with the increase in the efficiency of the transport system, delivery costs in distant markets can be competitive with other products. A product with a view to stabilizing effect on the prices of all similar products on the market (Ballou 1999).

Bloomberg (2002) even sees transport management that dominates logistics in the past. In his view, transport services were often purchased first and therefore the costs were significant and very visible. As executives become more aware of the growing importance of other physical distribution costs, such as Storage costs, transport is no longer all logistics (Bloomberg, Lemay, Hanna 2002).

Ballou (1999) proposes not to forget economies of scale. Larger markets can lead to lower production costs. With the largest available volume in the market, more intensive use of production facilities can be made and usually follows professional specialization. Ballou adds that economic transport also allows for decoupling of markets and production sites. This gives a degree of freedom to choose production sites so that production can be located where there is a geographical advantage. For example, auto parts used in places like Taiwan, Indonesia, South Korea and Mexico are used for assembly operations in the US and are sold on the US market. Low labor costs and high-quality production are the attraction for production at these foreign sites. (Ballou 1999). According to McKinnon, the selection of freight transport between modes, often called modal split, was one of the most controversial topics in transport logistics. McKinnon believes that this is because decisions on modal elections are not always based on a complete and rational assessment of the available options (McKinnon 1989).

Kent (1988) hypothesized that modal choice is influenced by three main factors: price, speed and reliability. Parker (1988) believes that the modal interaction of a country or region also depends on a number of other factors, such as its physical geography, the spatial distribution of its population and industry, its transport network, its structural economy and government policies on transport regulation, investments and taxation. Both have the same opinion that a choice of transport mode has a direct impact on the efficiency of a physical distribution channel. Each mode of transport has different characteristics, different strengths and weaknesses, threats and opportunities (McKinnon 1989).

McKinnon has defined three main bases for transport mode choices: according to the first, this choice is dictated by the economic cost variables. The other type of model assumes that the modal choice is based on the relationship between physical aspects of the transport system (eg speed, frequency) and physical aspects of the product (McKinnon 1989.). According to McKinnon, there are finally models based on the decision-maker or on the human perception of each mode of transport or combination of states. Employee perceptions determine if a particular condition will be used. McKinnon believes that the process of choosing the appropriate state depends on a number of service marks (McKinnon 1989).

Slack (2003) believes that the use of modes depends on the type of transported product and on the availability of methods. In addition to the direct transport costs that can be high, especially for complex movements, the cost of bound inventory is often crucial for high value products in the physical distribution process. (Slack, Rodrigue, Comtois 2003.)

## **2.4 Review of critical analytical literature**

Channel structures vary between countries and sectors, but all channels can be described using simple concepts such as directivity, levels, density, variety and novelty. Directly refers to the direct sales process between producers and consumers without any member of the intermediate channel. Indirect distribution occurs when a producer uses channel members to sell to consumers. Researchers have identified a number of conditions that influence direct distribution or indirect distribution

(Rangan, Menezes and Maier, 1992). The concept of levels indicates the number of different buying and selling entities existing between a producer and a consumer. In the automotive industry, manufacturers sell to exclusive franchise dealers who in turn sell to final consumers. This is defined as a one-level channel.

An overview of the history of leadership research reveals that leadership literature and performance can be classified into a series of important phases. Early leadership studies (often classified as studies of leadership traits) focused on identifying the personality traits that characterized successful leaders (Mahoney et al., 1960). Theories of traits presuppose that successful leaders are born and have certain innate qualities that distinguish them from non-leaders. However, the difficulty of categorizing and validating these characteristics has led to widespread criticism of this trait approach, signaling the emergence of stylistic and behavioral approaches to leadership (Stodgill, 1948). The theorists of style and behavior have shifted the emphasis from the characteristics of the leader to the behavior and style adopted by the leader (Likert, 1961).

Similarly to theories of traits, the main weakness of stylistic and behavioral theories is that they ignore the important role that situational factors play in determining the effectiveness of individual leaders (Mullins, 1999). It is this limitation that gives rise to situational and contingency leadership theories (for example, Fiedler, 1967, House, 1971, Vroom and Yetton, 1974) that shift emphasis from the only best way to lead to context-sensitive leadership. Although each study emphasizes the importance of different factors, the general principle of situational and contingency perspectives is that the effectiveness of leadership depends on the diagnosis of the leader and the understanding of situational factors, followed by the adoption of the appropriate style to deal with every circumstance. However, in an apparent return to the best

leadership, recent leadership studies have contrasted transactional leadership with transformational leadership (Ogbonna and Harris, 2002). Transactional leaders say they are instrumental and often focus on exchange relationships with their subordinates (Bass and Avolio, 1993). Conversely, transformational leaders are considered visionary and enthusiastic, with an intrinsic ability to motivate subordinates (Howell and Avolio, 1993). Although the brief summary above indicates that leadership research has gone through periods of skepticism, recent interest has focused on the importance of the leadership role in the success of organizations.

Fiedler (1996), one of the most respected researchers in leadership, has presented a recent dissertation on the importance of leadership by claiming that a leader's effectiveness is crucial to the success or failure of groups, organizations or organizations. even a whole country. In fact, it has been argued that a way in which organizations have attempted to cope with the increasing volatility and turmoil in the external environment are shaping and developing leaders and equipping them with the skills needed to cope (Hennessey, 1998). These statements are based on the hypothesis of a direct link between management and organizational performance. In addition, leadership has long been regarded as a key factor in organizational efficiency, but the interest in public leadership has increased in recent decades. An interest in transforming the public sector by learning from business has contributed to this interest as leadership has been seen as one of the key elements that has made private companies more effective than the public sector was perceived. An interest in learning from the private sector, where leadership has long been regarded as an important element in corporate performance, is therefore a contributing factor to leadership blossoms in the public sector context (Murphy et al., 2006).



In the FMCG sector, it is normal for companies to sell to stockbrokers who sell to resellers, which they sell to consumers again. This is an example of a two-level channel. Density refers to the number of points of sale within a particular geographical area. The fewer points of sale are, the more exclusive the distribution and the more the number of sales points, the more intense the distribution. The distribution of luxury cars with only one or two stores in a district or city can be defined as exclusive, while the distribution of fields with thousands of companies can be defined as intensive. Variety refers to the number of different types of activity. The distribution of cookies can show a great variety because cookies are available in paan shops, food stores, supermarkets, canteens, vending machines and even online; while the distribution of silk sari may show a low variation in the shape of the used channels. The news refers to the use of new types of channels. Online channels and vending machines are relatively new in India and are therefore expected to have a higher degree of novelty than direct marketing or network marketing channels. Distribution channels are evaluated using three main criteria: efficiency, efficiency and adaptability. There is little research in the Indian context about the factors influencing the efficiency and efficiency of the canal. A good understanding of the factors will help to change the channel structure in response to changes in the channel or environment.

One of the main challenges in channel management is to keep channel members motivated to support the principal, especially when markets are difficult. The profitability of channel members is an important driving force, but it is not the only factor that influences the satisfaction and motivation of the channel member.

Experienced channel managers make a concerted effort to measure and monitor channel profitability and channel return on investment (ROI). In addition to ensuring good returns, companies use a variety of financial and non-financial incentives to motivate channel members. Incentives for channels can range from reliable channel policies, support to market development, additional contacts, high-level incentives and contacts with end-users (Gilliland, 2004). Research is required in the Indian context on the motivational effectiveness of different types of channel incentives. Total studies on the genes of channel members and incentive packages can be useful.

The characteristics of the channels also depend on the level of economic development. Research has suggested that channels in developed countries are likely to have larger wholesalers, larger retailers and channels less than channels in less developed countries (Olson and Granzin, 1992). Channels in developed markets are also characterized by organized retail and wholesale chains, significant use of technology and data from channel members, informed customers, high penetration of the Internet, sophisticated logistics and strong enforcement of laws and regulations. Distribution channels on emerging markets are characterized by unorganized retail and wholesale sales; small retailers and independent wholesalers; multiple levels in the distribution chain; less use of technology and data of channel members; poorer penetration of the Internet developing logistical infrastructures; and poor implementation of laws and regulations. Emerging Markets also has a large base pyramid (BOP) and rural markets that represent unique challenges for distribution. Channels change over time, although the changes seem to be very slow. The change in the channel can be influenced by market factors such as volatility in consumer needs, consumer sophistication and the sophistication of channels; environmental

drivers such as volatility in competitor strategies and environmental conflicts; and fixed drivers as the size and scope of the company (Coelho & Easingwood, 2008).

## **2.5 Summary**

### **2.5.1 Lead time**

The time from customer order and receipt from the customer is an increasingly important element in domain production (1989). Stalk and How (1990) and Harvard Business School (1990) claim that a company with faster response can simultaneously increase prices and reduce production costs. Lederer and Li (1993) present a model that formally connects operating benefits with these strategic results. The long term can be reduced by various operational improvements and technologies, including bottleneck analysis, product-focused organization, flexible production systems, planning, project management, just-in-time (JTT) systems. Electronic Data Exchange (EDI) and Business Process Reform (BPR). Another way to reduce lead time is to use performance systems that give managers incentives to reduce it. If executives are judged about lead time, the system can lead the manager to create a value that maximizes trade between lead time and cost. This document examines design of performance evaluation systems within cost centers when lead time is important.

A basic problem in most organizations is to meet the customer's order cycle (the time the customer is willing to wait for delivery) with the lead time of the logistics (time to the supplier to complete the process of receiving the order for delivery of goods) not to cope with it will lead to the gap between lead time. This gap is especially a problem in longer currents because the final customer is generally unwilling to wait longer just because sourcing is done globally (Christopher, 2001). Possible ways to reduce or

close this time is to shorten the lead time of logistics using such tools as supply chain mapping and bottleneck management. At the same time, customer order cycles can be moved closer by increasing demand (Christopher, 2001). This could be used to describe the period between the collection of milk from the farmer to production (New KCC) to the final consumer.

### **2.5.2 Competition**

The level of competition includes all the actual and potential people who offer complementary and substitute for this buyer; he distinguishes between three levels of competitive conditions based on product substitution capacity. The first level is the industry's level of competition where a company experiences a competitive level with a company that offers the same or similar products and services of the same price. Secondly, the fire level of competition is where a company offers the same products or services. Finally, generic level of competition, as a company sees its competitors who all compete for the same consumer's money. He says that business or organization can achieve a competitive edge by adopting total quality management.

### **2.5.3. Technology**

IT systems can also be used to improve sustainability in the operational execution of supply chains and for monitoring activities, especially those activities that enable decisions. In Europe, information exchange is regarded as one of the major drivers for more sustainable European transport systems, which is based on IT-supported single-transport documents and (intermodal) route planning with tracking and tracing (Zografos, Sedlacek, and Bozuwa, 2012).

#### **2.5.4 Transport**

The role of transport is to facilitate the movement of goods. This can be from manufacturing, storage or deployment sites to places of use; or between hubs and distribution points or hubs for use or end-use distribution points or return from end-use to hub and preposition points or manufacturers. The source and destination may be in the same country, or you may be in another country that requires international movement.

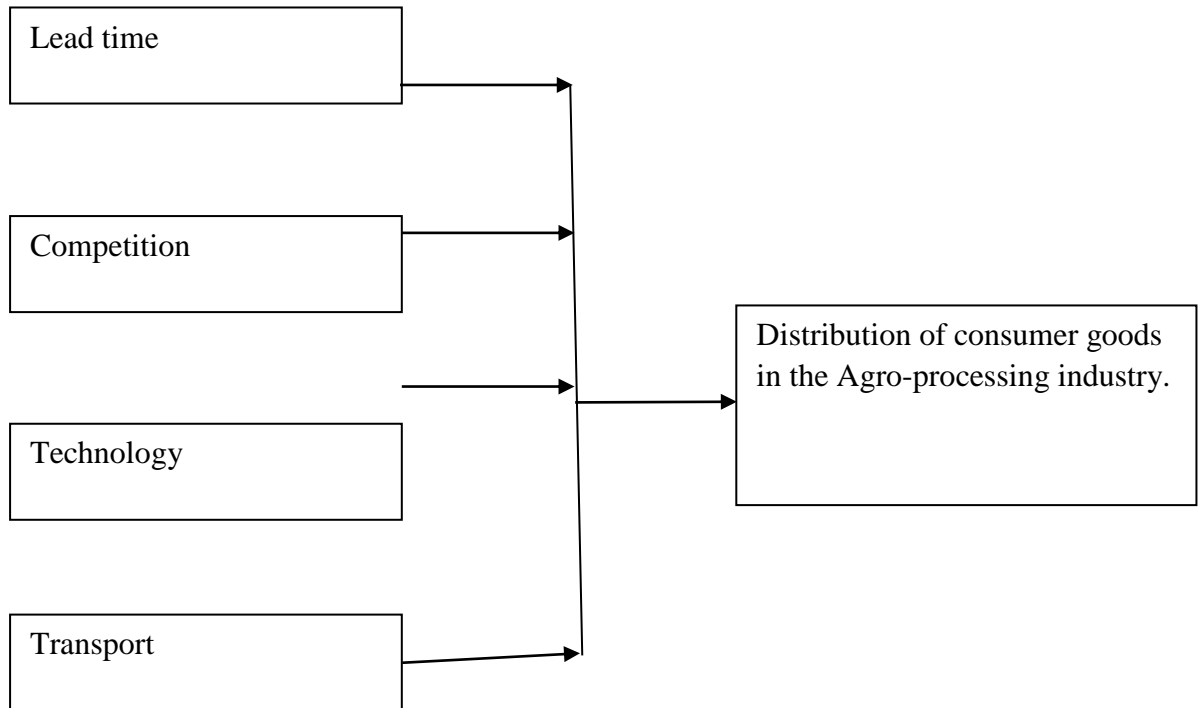
#### **2.6 Conceptual Framework**

According to Mugenda, (2008), conceptual framework as a detailed description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. Young, (2009) also explains that conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables. In the study, the conceptual framework will look at the factors enhancing distribution of consumer goods in Kenya.

**Figure 2.1: Conceptual Framework**

**Independent Variables**

**Dependent Variable**



**Source: Author, (2018)**

### **2.6.1 Competition**

Competition affects the distribution of consumer goods companies. The greater the competition, the more the effectiveness of a company hence improved performance. An increase in competition level, there will be an increase in distribution.

### **2.6.2 Lead time**

Lead time is referred to as the time between order and placement of material and the actual delivery. Lead time plays a fundamental role on the distribution of consumer goods. The shorter the lead-time, the higher the sales and profitability of a company.

### **2.6.3 Technology**

Technology as contributed tremendously towards distribution of consumer goods in all sectors. Various technologies have the potential to provide a competitive advantage to supply chains and, in extremely competitive markets, these technologies can determine which firms succeed and which firms fail.

### **2.6.4 Transport**

Transport is an infrastructure that means roads, seaports, airports, railways and canals. All of these are located along the transport networks' hubs and links. The mode of transport has a major impact on the consumer goods network, as the faster the mode of transport is, the shorter it is necessary to deliver products and thus improve the organization's performance. The role of transport in the logistics system is more complex than the transport of goods to owners. Its complexity can only come into force through high quality management. Thanks to a well-managed transport system, goods can be shipped to the right place at the right time to meet customer requirements. It brings efficiency and also builds a bridge between producers and consumers. Transport is therefore the basis for efficiency and economy in business

logistics and extends the other features of the logistics system. Moreover, a good transport system within logistic activities not only provides the quality of service, but also the company's competitiveness.

Alan Rushton's "Handbook for Logistics and Distribution" (2006) places particular emphasis on changing the nature of physical distribution: The fact that many companies move towards global operations have especially had a clear influence on the relative importance of different modes of transport. According to Rushton, several products have moved a lot longer because companies have developed the concepts of the focusing factories with a global production point for certain products and the concentration of production facilities in low production sites cost. So Rushton concludes that long-haul transport today has become much more important for the development of efficient logistics operations that have a global perspective. All of these changes serve to emphasize the need to understand the special advantages and disadvantages of the various modes of transport (Rushton, 2006).

## 2.8 Operational Framework

<b>Variable</b>	<b>Indicators</b>	<b>Measurement</b>
Lead time	<ul style="list-style-type: none"> <li>- Delivery</li> <li>- Work in progress</li> </ul>	<ul style="list-style-type: none"> <li>- Questionnaire</li> <li>- Interview</li> </ul>
Competition	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>- Questionnaire</li> <li>- Interview</li> </ul>
Technology	<ul style="list-style-type: none"> <li>- Efficiency</li> <li>- productivity</li> </ul>	<ul style="list-style-type: none"> <li>- Questionnaire</li> <li>- Observation</li> </ul>
Transport	<ul style="list-style-type: none"> <li>- Delivery</li> <li>- Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Questionnaire</li> <li>- Interview</li> </ul>
Distribution of Goods	<ul style="list-style-type: none"> <li>- Frequency of orders</li> <li>- Turnaround time</li> </ul>	<ul style="list-style-type: none"> <li>- Questionnaire</li> <li>- Observation</li> </ul>



## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This chapter contains a write up of the details of the research design that will be employed in this study. It provides information on the target population, sampling procedures, data collection methods, validity and reliability of the instruments and types of data to be collected as well as data analysis techniques.

#### **3.2 The Research Design**

As pointed by Kothari (2009), research design is the plan of action through which researcher organizes his or her work from data collection, organization and data analysis. There are several research design to be used in a research, but are dictated by the nature of the study being undertaken (Babbie, 1991). The study adopted descriptive research design. Descriptive survey is a method of collecting data by interviewing or administering a questionnaire to the sample of individuals (Orodho, 2009). The purpose of descriptive design is to secure evidence concerning all existing situations and it provides a relatively simple and straight forward approach to the study of values, attitudes, beliefs and motives (Onyango, 2001).

#### **3.3 Target population.**

According to Mugenda and Mugenda (1999), target population is that population to which a researcher wants to generalize the results of the study. The population for the study will be employees from New KCC in Industrial area, Nairobi. The study targeted a population of 150 employees from different departments of the organization.

**Table 3.1 Target population**

<b>Category</b>	<b>Target population</b>	<b>Percentage</b>
Top Level Management	10	7
Middle Level Management	25	17
Support Staff	115	76
<b>Total</b>	<b>150</b>	<b>100</b>

**Source: Author (2018)**

### **3.4 Sampling Design**

The study will consider 20% sample size as adequately representative of the target population

as confirmed by Mugenda and Mugenda (2003). The company has different departments. The researcher will use stratified random sampling to select the number of the respondents in each department of the company. This technique is used because the population of workers is homogeneous and ensures equitable representation of all population in relation to their levels in the organization.

**Table 3.2 Sample size**

<b>Category</b>	<b>Target population</b>	<b>Percentage</b>
Top Level Management	10	5
Middle Level Management	28	14
Support Staff	112	56
<b>Total</b>	<b>150</b>	<b>75</b>

**Source: Author (2018)**

### **3.5 Data collection Methods and instruments**

Data was collected using questionnaires and interview schedule.

#### **3.5.1 Questionnaires**

Mugenda & Mugenda (2010) defines questionnaire as a written set of questions to which the subject responds in writing. The tool was considered suitable because the respondents were literate and able to complete the questionnaires on their own. Questionnaires saved time and allowed uniformity in the way the questions were asked ensuring greater comparability in the process. Both open and closed ended questions will be formulated. Questionnaires were administered to the middle level management and the support staff.

#### **3.5.2 Interview Schedule**

Interview schedule will be constructed to obtain information from the top management. Interviews will be used because they allowed the researcher to obtain detailed information about personal feelings, perceptions and opinions and also allow detailed questions to be asked

#### **3.5.1 Reliability and Validity of the instruments**

According to Patrick (2013), reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials and validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. In determining the phase validity of the instruments, the structure, layout, sequence, alignment and configuration of the questionnaire were examined. In conducting the content validity of the instruments, items of the

questionnaire were matched to the research questions in order to determine whether or not the instruments were actually measure what they are supposed to measure.

The reliability of the instruments was determined using the test-retest reliability technique and only the questionnaire was subjected to the test of reliability. In conducting the test re-test reliability for the questionnaire, the instruments were administered to respondents drawn from employees who were not be included in the final study. The researcher sought her supervisor's assistance in checking the reliability and validity of the instruments.

### **3.6 Data analysis**

Quantitative analysis data were driven from the demographic section of the questionnaires and other closed questions was analyzed using descriptive statistics using percentages and frequencies. Qualitative data was generated from the open ended questions and the interview in the research instruments, were organized in themes and patterns categorized through content analysis and tabulated data was then computed using the Statistical Package for Social Science (SPSS) (Version 25). Data was presented by the use of charts, graphs, frequency tables and pie-charts.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND PRESENTATION**

#### **4.1 Introduction**

This chapter covers the data analysis, presentation of findings and discussions based on the research objectives. Each analysis is followed by an interpretation and then discussion.

#### **4.2 Presentation of Findings**

Questionnaires filled and returned were counted and checked for completeness. Out of the 75 questionnaires issued, 72 questionnaires were completed representing 96 % while 3 were not returned.

##### **4.2.1 Response Rate**

**Table 4.1: Response Rate**

<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Returned	72	96
Not returned	3	4
<b>Total</b>	<b>75</b>	<b>100</b>

##### **Figure 4.1 Response Rate**

**Source: Author (2018)**

From table 4.1 and pie chart above, 72 (96%) questionnaires were returned while 3

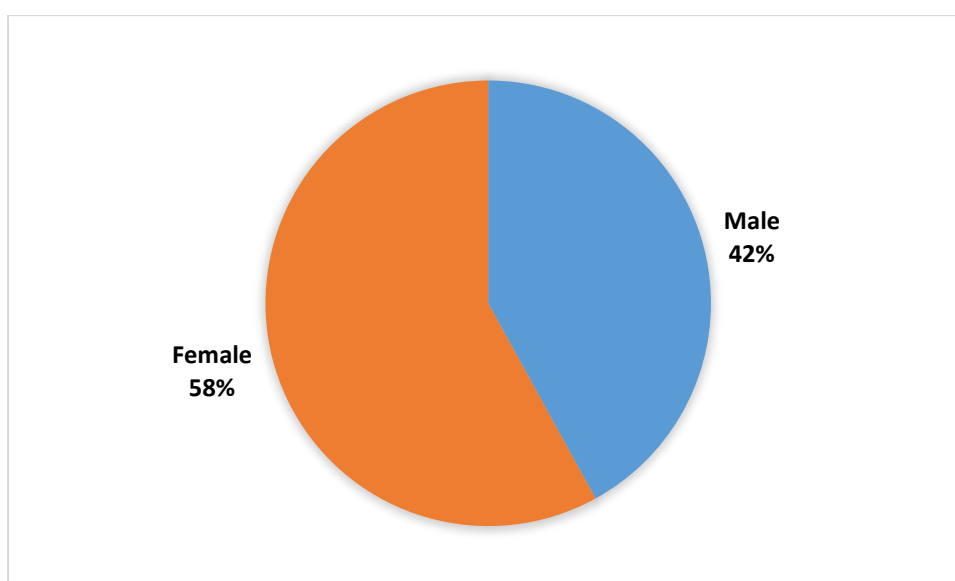
(4%) were not returned. According to Mugenda and Mugenda (1999), a fifty percent response rate is adequate, sixty percent good and above seventy five percent rated very good. Basing on this assertion; the response rate of 96% in this case was very good.

**Table 4.2: Gender of Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	30	42
Female	42	58
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.2 showing the gender of respondents**



**Source: Author (2018)**

The findings of table and figure 4.2 show the gender of respondents. The male respondents were 30 (42%) while the female were 42 (58%). This implies that majority of the employees were female.

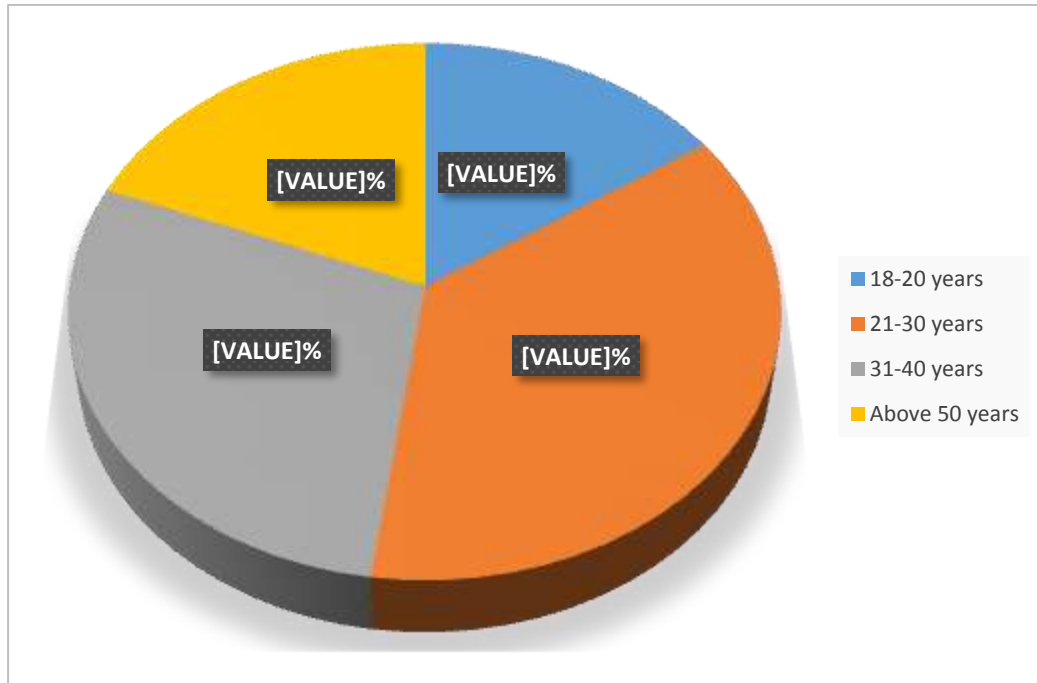
#### **4.2.2 : Response on Age of respondents**

**Table 4.3: Age of Respondents**

<b>Age (years)</b>	<b>Frequency</b>	<b>Percentage (%)</b>
18-20 years	10	14
21-30 years	24	33
31-40 years	26	26
Above 50 years	12	17
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.3 showing the age of respondents**



**Source: Author (2015)**

From table and figure 4.3 above, it is evident that majority of the respondents are aged between 21-40years. This was shown a response of 33% in the bracket of 21-30years and 26% aged between 31-40years respectively. Fourteen percent were in the age bracket of 18-20years while the remaining 17% aged above 50years.



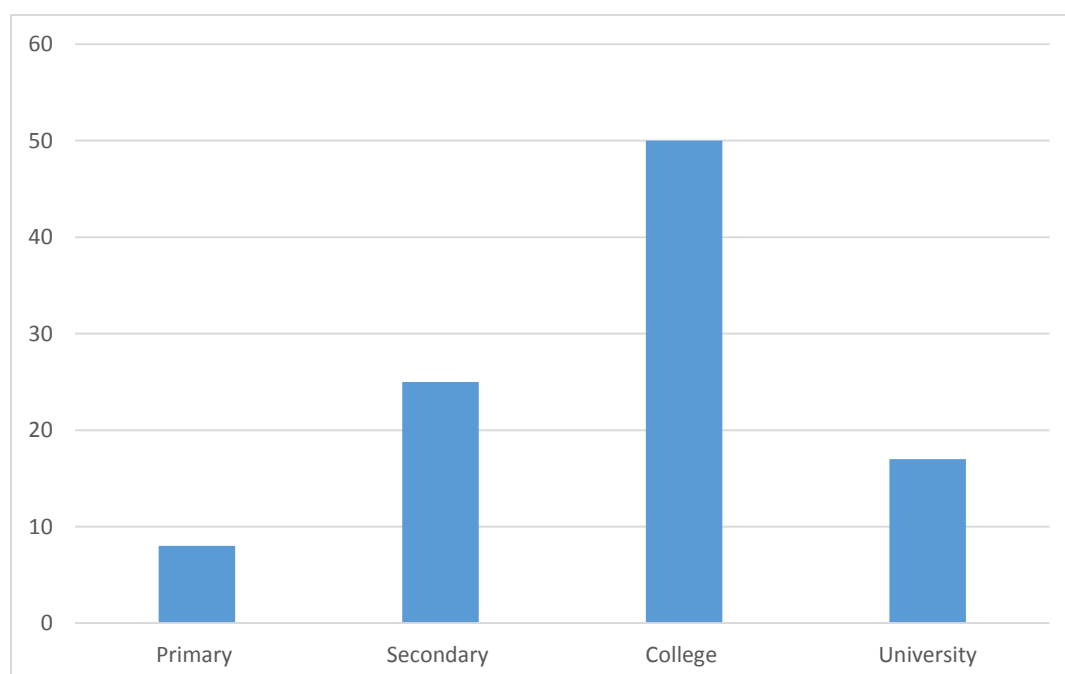
### 4.2.3: Response on Level of Education

**Table 4.4: Level of Education**

Level of Education	Frequency	Percentage (%)
Primary	6	8
Secondary	18	25
College	36	50
University	12	17
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.4 showing the Highest Level of Education of the Respondents**



**Source: Author (2018)**

The highest level of education was sought to ascertain understanding of the questionnaires by the respondents. From the responses, majority 50% of the respondents had college level of education, 25% indicated that they had secondary education while 8% have primary education and 17% have university level of education. The findings imply that the respondents were able to understand the instruments.

#### **4.2.4: Analysis according to the respondents working experience**

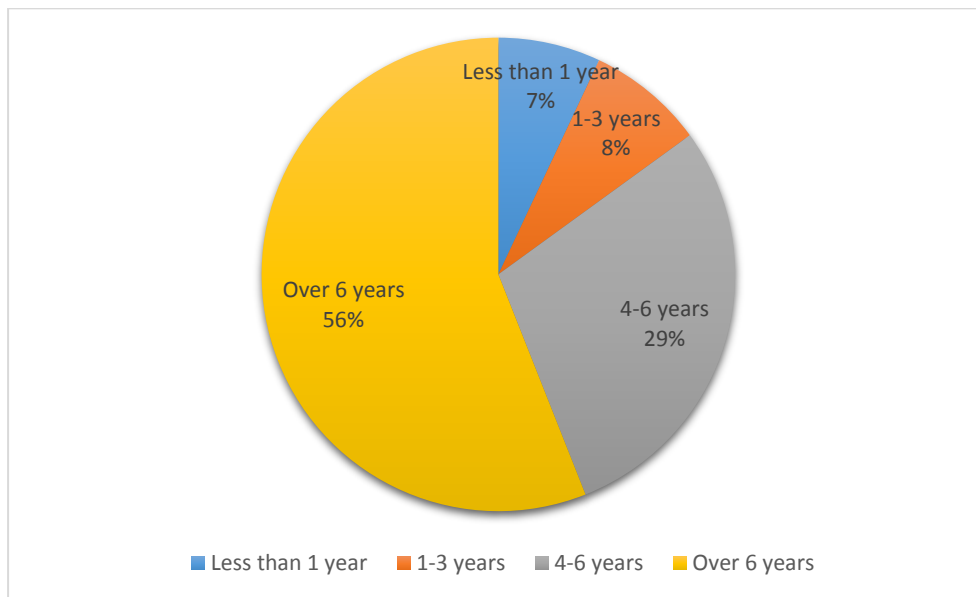
The study further sought to establish the work experience of the respondents to determine whether they understood the operations of the company.

**Table 4.5: Working experience**

<b>Working experience</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	5	7
1-3 years	6	8
4-6 years	21	29
Over 6 years	40	56
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.5 showing the working experience of the respondents**



**Source: Author (2018)**

Table 4.5 shows that most of the respondents 40 (56%) had worked in the New KCC for over 6 years. Only 5 (7%) had a working experience of less than a year while 21 (29%) had worked for 4-6 years and 6 (8%) had worked for 1-3 years.

### 4.3 Lead time

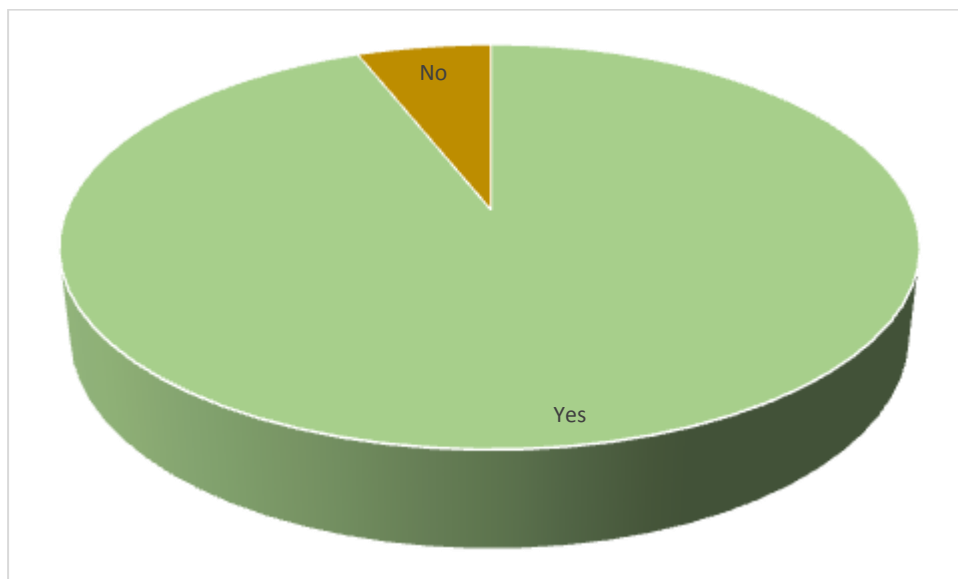
**Table 4.6** Table effects of lead-time on the distribution of consumer goods in New KCC

**Table 4.6: Effects of Lead-time**

Response	Frequency	Percentage
Yes	68	94
No	4	6
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.8: Effects of Lead-time on distribution**



**Source: Author (2018)**

Table 4.6 and figure 4.6 above shows that most 68 (94%) of the respondents agree that lead time affect the enhancement of outlet networks of consumer goods

companies while only 4 (6%) do not agree. The findings imply that lead time affect distribution of consumer goods to outlets in the New KCC.

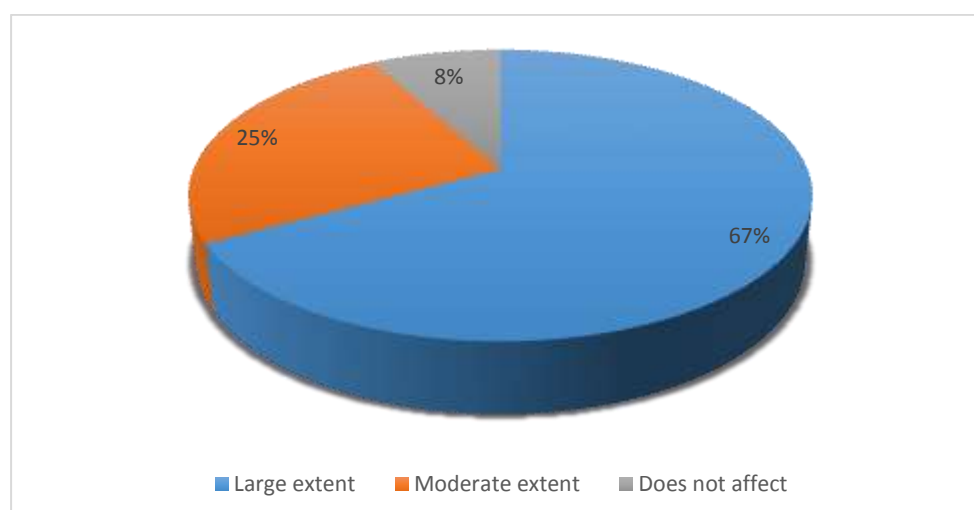
The study further sought to establish the extent to which lead-time affected distribution of consumer goods.

**Table 4.7: Extent of lead-time on distribution of consumer goods**

Extent affected	Frequency	Percentage
Large extent	48	67
Moderate extent	18	25
Does not affect	6	8
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.7 Extent of lead-time on distribution of consumer goods**



**Source: Author (2018)**

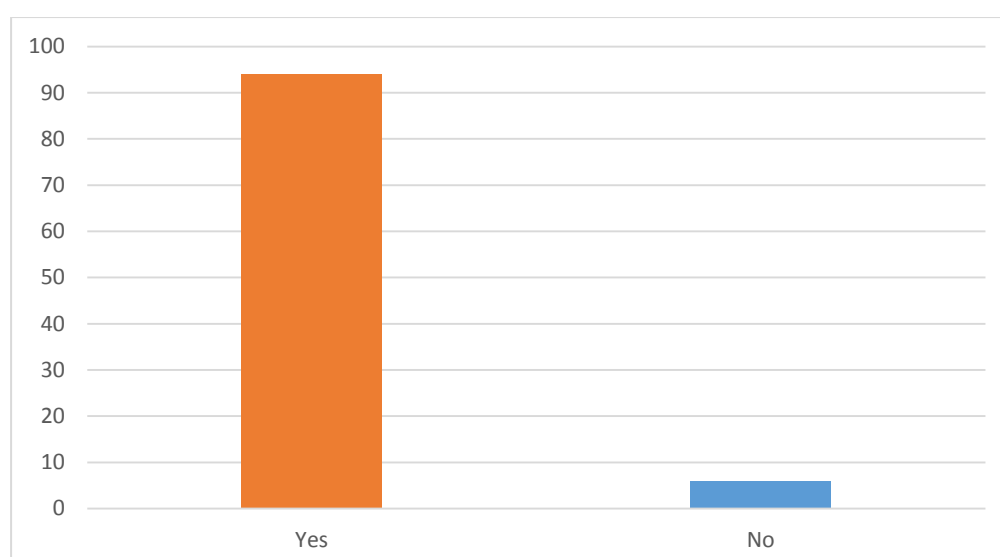
Table 4.7 and figure 4.7 above show the response on the extent of effect of lead-time on distribution of consumer goods. Most of the responses show that majority of the respondents 48 (67%) agree that it affected to a large extent while 18 (25%) agree to moderate extent and only 6 (8%) do not agree. The findings suggest that respondents agree that lead time affect distribution of consumer good.

**Table 4.8: Effects of competition on distribution of consumer goods in New K.C.C**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	68	94
No	4	6
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.8 Effect of competition on distribution of consumer goods**



**Source: Author (2018)**

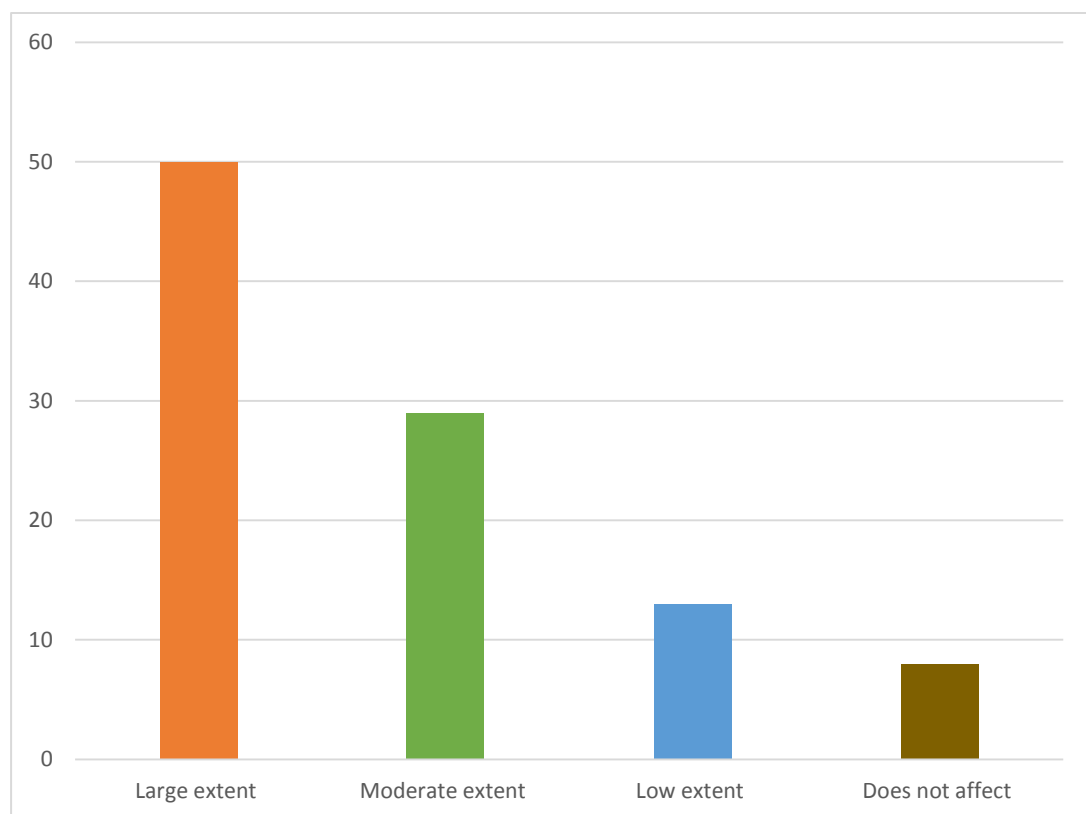
From table 4.8 above, majority 64(94%) of the respondents agree that competition affected enhancement of distribution while only 4 (6%) disagreed.

**Table 4.9: Extent of competition on distribution of consumer goods**

Extent affected	Frequency	Percentage
Large extent	36	50
Moderate extent	21	29
Low extent	9	13
Does not affect	6	8
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.9 Extent of competition on distribution of consumer goods.**



**Source: Author (2018)**

Table 4.9 and figure 4.9 shows the responses on the extent affected by competition. Majority 36 (50%) agreed that it affected to a large extent while 21 (29%) said it affected to a moderate extent, 9 (13%) said to a low extent and 6 (8%) said it does not affect. The findings imply that competition affect distribution of consumer goods.

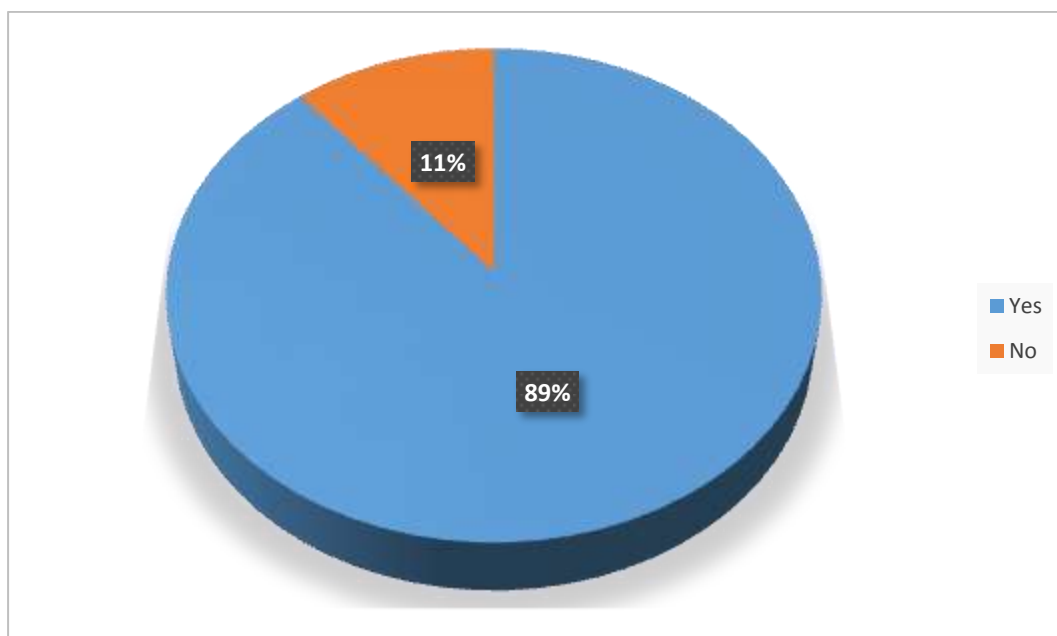
#### 4.5 Effects of technology on distribution of consumer goods in New K.C.C

**Table 4.10: Effect of Mode of technology on distribution**

Response	Frequency	Percentage
Yes	64	89
No	8	11
<b>Total</b>	<b>72</b>	<b>100</b>

Source: Author (2018)

**Figure 4.10: Effect of technology on distribution**



Source: Author (2018)



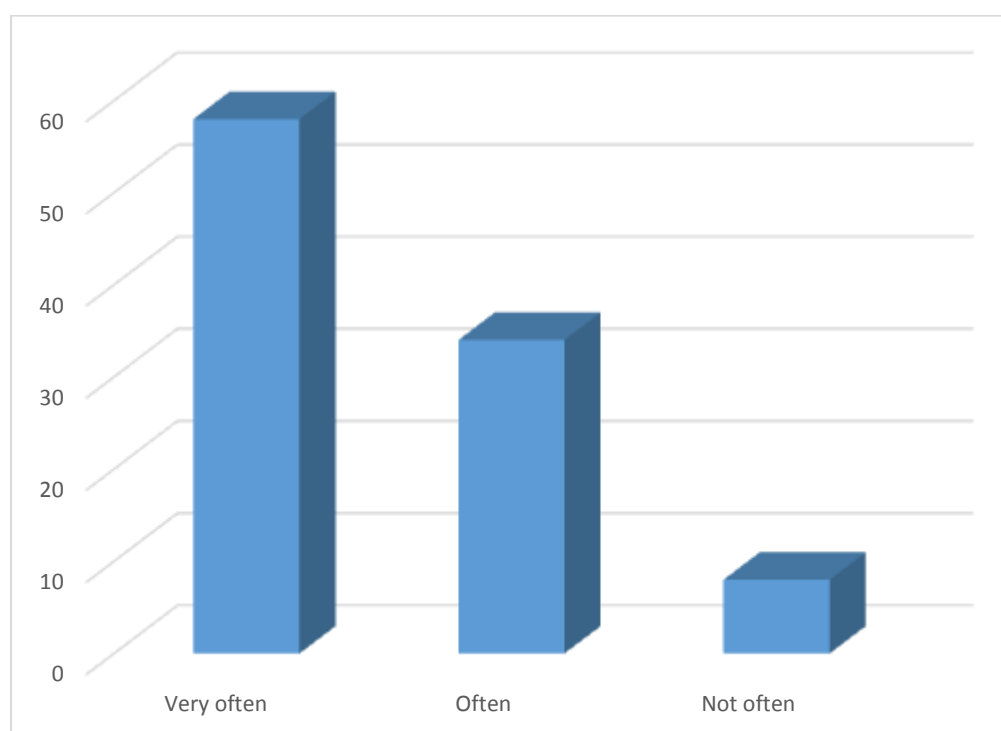
From table 4.10 and the pie chart above shows that most 89% of the respondents agree that technology affect distribution of consumer goods contrary to only 11%. The findings suggest that technology enhance distribution of consumer goods.

**Table 4.11 Effect of technology on distribution of consumer products**

Extent affected	Frequency	Percentage
Very often	42	58
Often	24	34
Not often	6	8
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.11 Effect of technology on distribution of consumer products**



**Source: Author (2018)**

Table 4.11 and figure 4.11 above show how often technology adopted affected delivery of goods, most 42(58%) said it affected often, 24 (34%) said often and 6 (8%) said it does affect often.

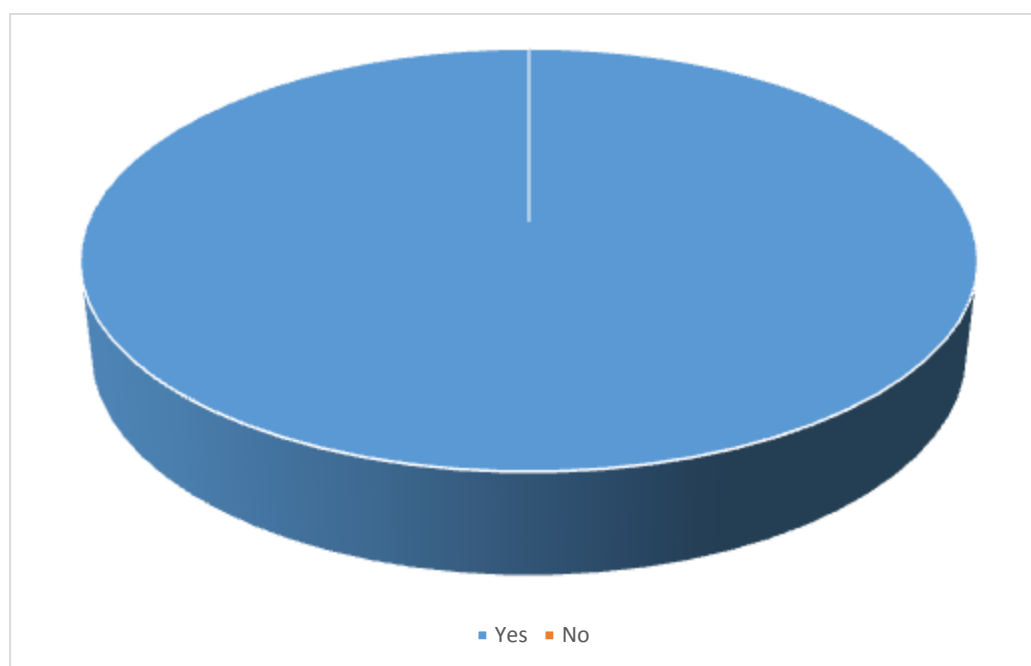
#### 4.6 Mode of Transport

**Table 4.12 Effect of mode of transport on distribution**

Response	Frequency	Percentage
Yes	72	100
No	0	0
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.12 Mode of transport and distribution of consumer goods**



**Source: Author (2018)**

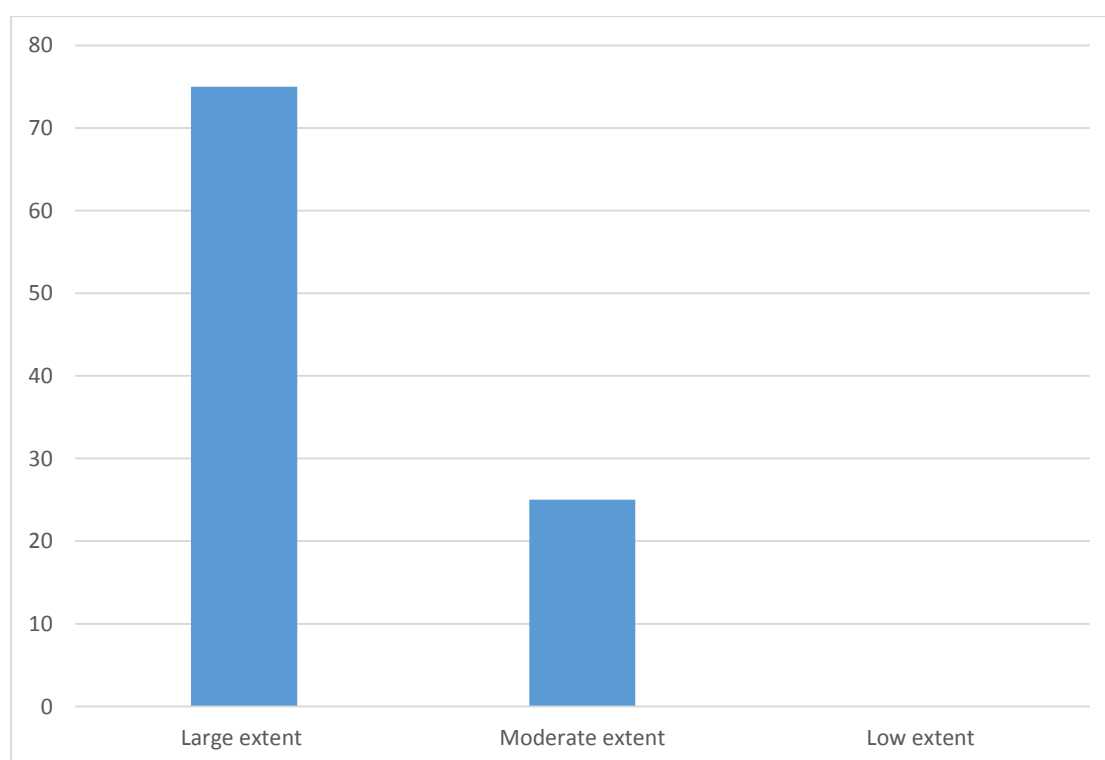
The respondents were further asked to give their responses on how the mode of transport affected distribution of consumer goods. All the respondents agreed that mode of transport affected distribution of consumer goods as seen in the table 4.12 and figure 4.12 above.

**Table 4.13: Extent to which mode of transport affected distribution of consumer goods**

Level of Extent	Frequency	Percentage
Large extent	54	75
Moderate extent	9	25
Low extent	-	-
<b>Total</b>	<b>72</b>	<b>100</b>

**Source: Author (2018)**

**Figure 4.13 Extent of management style on distribution of consumer goods**



**Source: Author (2018)**

Table 4.13 and figure 4.13 above show the responses on the extent of which management style affected distribution of consumer goods in an organization. Majority 54 (75%) said it is to a large extent while 9(25%) said it affected to a moderate extent. The findings imply that mode of transport has an effect on distribution of consumer goods. This means that the mode of transport used determines distribution of consumer goods.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter covers the summary, conclusion and recommendations of the study basing on the objectives.

#### **5.2 Summary of findings**

##### **5.2.1 Competition**

Based on the findings of the study, overwhelming majority of the respondents (94%) agree that competition affected the distribution of consumer goods in the new KCC and other Consumer goods company. The respondents explained that high level of competition in the consumer goods companies was created by existence of many firms dealing with consumer goods products in the target market and this made it difficult for the company to distribute its products in various market segments. This led to loss of sales revenue.

This concurred with Matteo (2008) that existence of many firms in the target market leads to increased competition and this makes it difficult for a single company to effectively distribute its product in the competing market and increase its revenue. Clow (2007) argues that high level of competition in the consumer goods companies in Kenya that affects distribution of consumer products is influenced by existence of many consumer goods suppliers which in this case were Brookside, Molo, Farm fresh, Mt. Kenya Dairies etc, loss of market share to competitors and quality of competitor products.

### **5.2.2 Lead Time**

The findings of the study showed also that lead time affected distribution of consumer goods in the New KCC Company. This was seen by an agreement by 94% respondents against only 6% who do not agree. When asked the extent it affected, 50% said it affected to a large extent while 39% indicated to a moderate extent. The presence of lead time reduces the total channel profits and the manufacturer profits compared to a channel without lead time. In addition, under uncertain demand conditions and in the presence of lead time, the retailer earns less profits and Consumer surplus are lower than the profits and consumer surplus without lead time. To enhance outlet network and maintain a continuous stocking and supply in the New KCC, shortening the lead time will go a long way in putting the company on top of the other consumer goods companies thus raising their distributions and profits.

### **5.2.3 Technology**

The study further established that 89% of the respondents agreed that technology affected distribution of consumer goods contrary to 11%. The capacity to innovate is recognised today as one major way to gain competitive advantage in the marketing of products and services in particular and corporate world in general. An innovative firm would readily lend its support to new ideas, novelty, experimentation and the creative processes that may result in new products, services or technological processes. Innovative distribution strategies have an effect on the marketing services and sales turnover and performances of selected multinationals and domestic manufacturing companies.

#### **5.2.4 Mode of Transport**

Transportation has a great influence on the distribution of consumer goods companies. This is evident since when asked to indicate to what extent to which transportation affects the distribution, all (100%) the respondents agreed. This is due to a fact that mode of transport plays a key role in ensuring effectiveness in the company. Other than ensuring efficacy, it also increased indirect competition by making goods available in the market to a very great extent. The long distance between supply chain partners and slow modes of transportation induce not only high transportation costs and in-transit inventory, but also high inventory carrying costs in terms of safety stocks at the final customer location. There are various challenges that affect the mode of transportation which in turn affects the distribution of consumer goods products these companies. These challenges include but may not be limited to poor operational and policy issues, unpredictable climatic conditions and poor infrastructure that increases transportation costs. Among these challenges however, poor infrastructure and vehicle breakdown are the major transportation challenges that affect distribution of consumer goods products.

#### **5.3 Conclusion**

Based on the study findings, the study concluded that the major factors affected distribution of consumer goods in Kenya includes; lead time, competition, technology and mode of transport. These factors make distribution of consumer goods a major challenge for this companies especially the government owned companies compared to the private companies which decision making tend to be faster and this affects availability of its products in the market.

## **5.4 Recommendations**

It is recommended that the management should ensure that the correct analysis of lead time is made in order to provide the industry with various benefits such as better understanding of the market behavior. This will make it able to develop more profitable schemas that fit better with customer needs increasing the company's ability to detect and correct any behavior that is not within terms agreed in the contract by penalization or different contract schema. This may create an opportunity area to improve the customer relations by increasing the level of communication with them.

To avoid stiff competition from other companies, the company management should increase on its products varieties and offer more and the best products in the target market. The company should also ensure its employees who market their products are well qualified with proper training skills and for that they can fit and counter any changes in market places and therefore they can be able to garner and create more profits for the firm. Considering the nature of the Kenyan market, the company should introduce less expensive products in the market that is dominated.

There is need for the management of the New KCC to adopt new technology in order to enhance distribution of consumer goods.



There is need to instill in place a faster and accurate mode transport and avoidance of breakdown. It is the planning of all these functions and sub-functions into a system of goods movement in order to minimize cost maximize service to the customers that constitutes the concept of business logistics.

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## **APPENDIX I: Questionnaires**

I am a student at Management University of Africa undertaking a research on the factors affecting distribution of consumer goods in the agro-processing industry as a requirement for my course. The findings are for studies only. Please answer the questions provided by ticking (✓) in the appropriate box.

### **SECTION A: GENERAL INFORMATION**

1. Gender      Male [   ]                      Female [   ]

2. Age in years

Below 18 years                      [   ]

18 – 20 years                      [   ]

21 – 30 years                      [   ]

31 – 40 years                      [   ]

41-50 years                      [   ]

Above 50 years                      [   ]

3. What is your highest level of education?

Primary                      [   ]

Secondary                      [   ]

College                      [   ]

University                      [   ]

4. Working experience

Less than 1 year      [   ]

1-3 years              [   ]

4-6 years              [   ]

Over 6 years           [   ]

**SECTION B: LEAD TIME**

5) Is delivery of consumer goods in your organization prompt?

Yes      [   ]

No      [   ]

Please explain .....

.....

6) Does work in progress affect distribution of consumer goods?

Yes      [   ]

No      [   ]

If yes, how.....

7) To what extent does lead time affect the distribution of consumer goods in your organization

Large extent           [   ]

Moderate              [   ]



Does not affect        [   ]

Please explain .....

.....

### **SECTION C: COMPETITION**

5) Are your customers satisfied with your services?

Yes                [   ]

No                [   ]

6) What do you think affect customer satisfaction in distribution of consumer goods?

.....

7) Does Competition have any effect on distribution of consumer goods in your organization?

Yes                [   ]

No                [   ]

Please explain .....

.....

8) To what extent does competition affect the distribution of consumer goods?

Large extent        [   ]

Moderate extent    [   ]

Low extent        [   ]

Does not affect ☐

Please explain .....

.....

#### **SECTION D: TECHNOLOGY**

11) Do you think technology affects the distribution of consumer goods in your organization?

Yes ☐

No ☐

Please explain .....

.....

12) Do you use modern technology in distribution of consumer goods?

Yes ☐

No ☐

Please explain .....

.....

13) How efficient is technology in distribution of consumer goods in your organization

Very efficient ☐ Efficient ☐

Not efficient ☐

14) To what extent does the technology in an organization improve the distribution of consumer goods?

Large extent ☐ Moderate ☐

Low extent [ ]

Please explain .....

.....

## **SECTION E: MODE OF TRANSPORT**

15) Does the mode of transport you use affect the distribution of consumer goods?

Yes [ ]

No [ ]

Please explain .....

.....

16) Are your customers satisfied with the mode of transport you use in distribution of consumer goods?

Yes [ ]

No [ ]

17) How often does the mode of transport you use cause delay on delivery of goods due to break downs?

Very often [ ]

Often [ ]

Not often [ ]

Please explain .....

.....

***Thank you for your participation***

